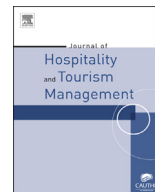




Contents lists available at ScienceDirect

Journal of Hospitality and Tourism Management

journal homepage: <http://www.journals.elsevier.com/journal-of-hospitality-and-tourism-management>

Short communication

A study of the relationship between the growth in the number of Hajj pilgrims and economic growth in Saudi Arabia

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ARTICLE INFO

Article history:

Received 20 December 2015

Accepted 24 January 2016

Available online xxx

Keywords:

Hajj pilgrimage

Economic growth

Vector error correction

Granger causality

ABSTRACT

In many countries, tourism is one of the most important and ever growing industries in the world which generates jobs and revenues. The sacred places located in some countries provide a particular opportunity to tourism industry to develop toward a sound direction and in a sustainable way. In this respect, Saudi Arabia has a unique situation due to having Mecca and Madinah as well as other sacred and historical sites. However, previous studies have given less attention to the economic aspect of Hajj pilgrimage. To study the Hajj duty from the economic perspective, this study examines the non-oil-based Gross Domestic Product (GDP) growth of Saudi Arabia as a function of the growing number of pilgrims and the investment growth in the Hajj sector. The Vector Error Correction Model (VECM) has been applied to the case of Saudi Arabia to examine the dynamics of the possible relationship between economic growth measured by growth in GDP and the Hajj pilgrimage. All data for the period 1975–2007 are drawn from annual reports of the Central Department of Statistics of the Ministry of Economy and Planning of Saudi Arabia. The findings of the research confirmed the existence of only one bidirectional Granger causal relationship between economic growth and the increasing number of Hajj pilgrims in short-term. Non-oil GDP of Saudi Arabia increases by 0.84 Saudi Arabian Riyal over the long-term in response to a one-digit rise in the number of pilgrims.

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1. Introduction

The Hajj pilgrimage and its religious rituals not only affect the individual spiritual lives of the pilgrims, but also has a considerable impact on the sociological dimension of life within Islamic nations. The economic aspect of Hajj, along with other aspects of this divine duty, has a considerable benefits that influence Saudi Arabia and other Islamic countries.

Understanding this fact provides possibilities for Islamic nations to utilize these benefits in the best possible way and (in addition to flourishing in other aspects) makes the Hajj an appropriate opportunity for promotion of economic growth and prosperity in Islamic countries.

The tourism industry is now one of the largest, highest-earning sectors of the global economy. During the past several decades, this

industry has grown considerably and become an important part of industries in most countries. According to the [World Tourism Organization \(2015\)](#), the total number of tourists across the world was more than 1.133 billion in 2014, generating revenue of more than 1.5 trillion dollars. The tourism industry can contribute significantly to growth of private sector and development of infrastructure, and can be a major contributor to generate more income and employment ([Gee, 1999](#)). The development of tourism not only causes growth and dynamism in other industries, it also facilitates economic growth across the economy ([Lee & Chang, 2008](#)). Three hypotheses exist regarding the relationship between the development of tourism and economic growth: the tourism-driven economic growth, the economic growth-based tourism, and the two-way relationship between tourism and economic growth ([Oh, 2005](#)).

In the tourism-based economic growth hypothesis ([Balaguer & Cantavella-Jorda, 2012](#), [Dritsakis, 2004](#); [Durberry, 2004](#); [Oh, 2005](#)) the central assertion is that growth in the economy is caused mainly by growth in the tourism industry. In this regard, the tourism industry leads to economic growth both directly and

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indirectly. The direct growth occurs due to tourism being a part of nation's service industry, and its revenue is considered to be a part of a nation's GDP, which in turn causes economic growth. The indirect promotion of growth is through the dynamic effect that the growth of tourism has on the whole economy in the form of spillover effects and other externalities, which would then lead to economic growth (Marin, 1992). To put this another way, while tourism industry (as a result of its transactions and interactions with other economic activities) develops, other related economic activities will develop simultaneously. In this case, tourism serves as an engine for economic growth that moves forward with other sectors. Some others believe in economic growth-based tourism hypothesis. Those rely on the fact that economic growth leads to the development of tourism by providing conditions for tourism facilities and infrastructure development including roads and transportation, information technology and communication, accommodations, public health facilities, and entertainment venues (Kulendran & Wilson, 2000; Lanza, Temple, & Urga, 2003; Narayan, 2004). The third hypothesis of the interaction between economic growth and tourism development having been confirmed in empirical studies by Kim, Chen, and Jang (2006) and Shan and Wilson (2001), predicts that the progress in each of the two sectors will lead to development in the other.

2. Experimental studies on the Hajj and their conclusions

Hajj and its diverse impact on human life has been the subject of interest for scholars in different fields of science, including Delaney (1990), Young (1993), Murphy (1994), Donnan (1995), O'Brien (1999), and Kremer, Ijaz Khwaja, and Clingingsmith (2008) among others. A short review of research literature on this subject show that the economic aspect of Hajj has been given less attention than other aspects, and there is a pressing need to fill the gap. This section briefly addresses studies conducted about economic issues related to Hajj.

Turner (1973) investigated the influence of Hajj on Saudi Arabia's economic growth. In his study, he points to the obligatory nature of Hajj with the hardships and difficulties that pilgrims go through. He distinguishes between tourism and pilgrimage and declares that it is difficult to state that pilgrims (like tourists) seek or even expect pleasure. By adding constraints, he considered only pilgrims that chose to participate in Hajj voluntarily in his investigation of the role of Hajj in the economic growth of Saudi Arabia. Cohen (1979) considered Hajj along with its obligatory rituals for pilgrims as a form of tourism and investigated the role of Hajj in the economic growth of the target country, Saudi Arabia. Of course, the issue of whether one should consider religious journeys to be in the same or a similar vein as tourism has been dealt with in studies like Robinson (1972), in which visitors of sacred places in India and South Asia were considered revenue resources for the growth of the countries they visited. In reality, Cohen's view was an implicit interpretation of Nunez (1977), in which Mecca was introduced as a unique tourism destination during different periods of time. From Cohen's point of view, Hajj is similar to a tourist journey when a pilgrim (like a tourist) makes an intentional temporary trip; his/her goals and expectations are considered purely pleasure, which is an outcome defined by experienced that are both novel and unmatched; and an experience that is achieved without repeating it on the journey. Different views exist concerning whether to evaluate pilgrims as tourists. Sardar (1979) believes that the experience of Hajj as a spiritual and non-materialistic journey makes the hardship of the rituals less apparent and acknowledges the real pleasure of such a trip in being present inside a gentle and tranquil atmosphere of sacred places. In fact, from Sardar's view the purpose of the trip is pleasure (that is, enjoyment) regardless of the explicit

spiritual purpose; it is in fact for both pleasure and spiritual growth. However, the pleasure of the Hajj trip is spiritual and non-materialistic in nature.

Three major types of study exist on the impact of Hajj on the individual economy. The first two types of study, with fully limited views, convey extreme viewpoints on the individual economic aspects of the Hajj. On the other hand, the third type of study is a mixed and modified version of the two previous perspectives. The first group view, stressed in Swift (1964), Gosling (1960), Nash (1978), Birks (1977), Long (1979), and Ismail (1979) asserts that the majority of people who engage in the Hajj are poor or from rural areas who, without paying attention to Islamic rules, states that the Hajj is a religious obligation that every Muslim must fulfill if financially and physically able to do so. For the payment of Hajj-related expenses, they must either save a large portion of their income or borrow.

The point of view of the second group of studies, supported by Lockard (1977) and Bailey (1980) is that a major share of the pilgrims is composed of the privileged and wealthy classes of society, who have no problem paying for their trip (which also has no major impact on their personal life). The third type of study, exemplified by the work of Graburn (1977) and Awang Had (1979) considers the pilgrim population to be a mixture of the two types mentioned above and takes no statistical ratio for them into account. This third type of study starts from a viewpoint that most closely resembles the actual reality of the Hajj experience, has received less criticism.

Some studies have attempted to determine the impact of Hajj on the economies of the countries of origin for the pilgrims. Kadir (1982) investigated the economic aspect of Hajj in the lives of Malay peasants. In view of the fact that the majority of the Malay pilgrims are peasants, he conducted his investigation about the influence of Hajj on this sector. Reviewing the historical course of the Hajj pilgrimage in Malaysia, he initially assessed the travel costs through the usual ways for each time period. By considering the inflationary conditions and change in mode of transport from ship to airplane, he concluded that the amount of capital exiting from the Malaysian agricultural sector due to Hajj always increased with the advance of the years, and considered Hajj to be a damaging factor to the Malaysian agriculture industry, although he did not confirm the hypothesis that Hajj caused poverty among peasants. The research of Tangban (1991) studied the impact of Hajj on the economy of Nigeria. This study dealt with different negative and positive economic influences that Hajj exerted on the economy of Nigeria. Tangban first examined the negative impacts of Hajj on Nigeria's economy by considering payments to Saudi Arabia's government for issuing visas, pilgrims' traveling subsidies, and annual budget allocation to the Hajj council as constituting negative aspects of the pilgrimage. Afterward, he studied the effect of Hajj on Nigeria's domestic economy, regarding the Hajj as a stimulant for facilitating specific economic activities at certain times of year. His study asserts that the land and marine transportation, food, and textile industries along with the pharmaceutical sector flourish during the pilgrimage. By reviewing the positive and negative dimensions of the Hajj journey in this research, he eventually concluded that the negative economic impacts of Hajj have influenced Nigeria's economy more than its benefits.

3. Data

This research studies the causal relationship between the growing number of pilgrims from different countries and Saudi Arabia's non-oil Gross Domestic Product (GDP), representing its economic growth. As indicated in Equation (1), the non-oil GDP growth of Saudi Arabia has been considered as a function of increase in the number of pilgrims traveling to Saudi Arabia for Hajj

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